

NEW JERSEY WATER SUPPLY AUTHORITY

Schedules of Expenditures of
Federal and State Awards

Year Ended June 30, 2006

NEW JERSEY WATER SUPPLY AUTHORITY

Table of Contents

Year Ended June 30, 2006

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND NEW JERSEY CIRCULAR LETTER 04-04-
OMB1-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS3

SCHEDULE OF EXPENDITURES OF STATE AWARDS.....4

NOTE TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE
AWARDS5

SCHEDULE OF FINDINGS AND QUESTIONED COSTS6

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY CIRCULAR LETTER 04-04-OMB

To the Board of Commissioners of
NEW JERSEY WATER SUPPLY AUTHORITY

Compliance

We have audited the compliance of **NEW JERSEY WATER SUPPLY AUTHORITY** (the "Authority") with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement and State of New Jersey's State Grant Compliance Supplement that are applicable to its major state programs for the year ended June 30, 2006. The Authority's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and State of New Jersey Circular Letter 04-04-OMB. Those standards, OMB Circular A-133 and Circular Letter 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major state programs occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY
OMB CIRCULAR LETTER 04-04 (CONTINUED)

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major state programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, bond resolutions, and grants applicable to state programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on its major state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04-OMB.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition under which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to major state programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the State of New Jersey, the Authority's audit committee and management and is not intended to be and should not be used by anyone other than those specified parties.

Mercader, P.C.
Certified Public Accountant

August 9, 2006

NEW JERSEY WATER SUPPLY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2006

Federal Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Grant Period	Current Year's Expenditures	Total Expenditures
U.S. Department of Environmental Protection: Pass-through to NJ Department of Environmental Protection: Division of Watershed Management					
Watershed Management for the Raritan River Basin: Phase II Management Plan Development and Interim Protection/Restoration Projects	66.454	\$ 275,000	9/26/00-6/30/07	\$ 12,667	\$ 236,879
Stormwater Management Plan for Mulhockaway Creek Watershed Delaware and Raritan Canal Tributary Assessment and Nonpoint Source Management Project	66.460	235,000	7/1/02-6/30/07	81,194	89,571
Stormwater Management Plan for the Cedar Grove Brook Watershed	66.460	61,215	7/1/03-until Complete	47,375	60,602
Improving the Upper Raritan Water Quality Management Plan: Highlands Region	66.454	150,000	10/1/03-12/31/07	30,398	35,160
Water Restoration and Protection Plan for the Lockatong and Wickechoeke Creek Watersheds	66.454	411,000	1/15/04-6/30/07	62,620	96,514
Total	66.460	<u>237,290</u>	8/22/05-2/21/08	<u>31,223</u>	<u>31,223</u>
		<u>\$ 1,369,505</u>		<u>\$ 265,477</u>	<u>\$ 549,949</u>

No major programs

See note to schedules of expenditures of federal and state awards

NEW JERSEY WATER SUPPLY AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2006

State and Local Grantor/Program Title	State Grant Number	Program or Award Amount	Grant Period	Current Year's Expenditures	Total Expenditures
*New Jersey Environmental Infrastructure					
Trust Loan 2004A	N/A	1,380,000	8/1/04-8/1/2024	\$ 105,000	\$ 1,377,984
Trust Loan 2005A	N/A	3,990,974	8/1/05-8/1/2025	1,349,017	1,349,017
NJ Department of Environmental Protection: Pass-through from U.S.					
Department of Environmental Protection: Division of Watershed Management Development of a Comprehensive Watershed Management Plan in Raritan Basin Phase I					
	N/A	624,950	6/30/98-until Complete	-	615,738
Watershed Management for the Raritan River Basin: Phase II Management Plan Development and Interim Protection/Restoration Projects					
	RP01-042	300,000	9/26/00-until Complete	13,722	256,618
Watershed Management Protection Stream Priority Segment Project - Spruce Run					
	N/A	25,000	3/1/04-2/28/05	3,382	10,297
Total		<u>\$ 6,320,924</u>		<u>\$ 1,471,121</u>	<u>\$ 3,609,654</u>

* Denotes major program

See note to schedules of expenditures of federal and state awards

NEW JERSEY WATER SUPPLY AUTHORITY

NOTE TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Note 1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards include federal and state grant and loan activity of the Authority and are presented on the accrual basis of accounting. The information in these schedules are presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NEW JERSEY WATER SUPPLY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Reportable conditions identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal and State Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes X no
- Reportable conditions identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes X no

Identification of major programs:

<i>State Account Number</i>	<i>Name of State Program</i>
Trust Loan 2004A	New Jersey Environmental Infrastructure
Trust Loan 2005A	New Jersey Environmental Infrastructure

Dollar threshold used to distinguish between type A and type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee?

_____ yes X no

Section II - Financial Statement Findings

None Noted

Section III - Federal and State Award Findings and Questioned Costs

None Noted